

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 30, 2017

REGULAR CONSENT EFFECTIVE DATE June 1, 2017

DATE: May 23, 2017

TO: Public Utility Commission

FROM: Max St. Brown^{MSB}

THROUGH: ^E Jason Eisdorfer and ^A Marc Hellman

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 534/Advice No. 17-04) Modifications to Schedule 92, Boardman Operating Life Adjustment.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Idaho Power Company's (IPCo or Company) proposed Schedule 92 tariff, as described in the Advice filing 17-04, effective for service rendered on and after June 1, 2017 on less than statutory notice.

DISCUSSION:

Issue

Whether the Commission should approve IPCo's revised Schedule 92 for the purpose of collecting costs associated with an early retirement of the Boardman coal plant.

Applicable Administrative Rules

- I. ORS 757.205 and ORS 757.210 pertain to filing schedules with the Commission and hearing to establish new schedules. ORS 757.210(1)(b) defines automatic adjustment clause as "a provision of a rate schedule that provides for rate increases or decreases or both, without prior hearing, reflecting increases or decreases or both in costs incurred, taxes paid to units of government or revenues earned by a utility and that is subject to review by the commission at least once every two years." Filings that make any change in rates, tolls, or charges must be filed with the Commission at least 30 days before the effective date of the changes. However, the Commission has the discretion to approve tariff filings on less than statutory notice.

- II. OAR 860-022-0025(2) states that each energy utility filing tariffs or schedules changing existing tariffs or schedules shall submit: (a) a statement plainly indicating the increase, decrease, or other change thereby made in existing rates, charges, tolls, or rules and regulations; (b) a statement setting forth the number of customers affected by the proposed change and the resulting change in annual revenue; and (c) a detailed statement setting forth the reasons or grounds relied upon in support of the proposed change.
- III. OAR 860-022-0030(1) states that each energy utility filing tariffs or schedules increase rates shall also submit: (a) a statement setting forth for each separate schedule the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule; (b) a statement setting forth for each separate schedule the average monthly use and resulting bills under both the existing rates and the proposed rates for characteristic customers, which will fairly represent the application of the proposed tariff or schedules; and (c) a detailed statement setting forth the reasons or grounds relied upon in support of the proposed increase.

Analysis

Background

IPCo submitted its Advice No. 17-04 filing on March 17, 2017, pertaining to recovery of Boardman costs. In Order No. 12-235, the Commission authorized IPCo to “track and recover the incremental costs and benefits associated with the early shutdown of Boardman.”¹ The Commission-approved stipulation created a balancing account to address three types of costs associated with the early closure of the Boardman plant: (1) a return on undepreciated capital investments; (2) the accelerated depreciation; and, (3) the decommissioning costs, and authorizing any overage or shortfall in the collection of a previous year’s levelized revenue recovery to be incorporated into the new levelized revenue requirement calculation when necessary.² Stipulating parties agreed to an Oregon allocated incremental annual revenue requirement of \$107,223. IPCo makes an annual filing to update rates collected pursuant to Schedule 92.

IPCo’s Advice No. 17-04 adjusts rates in two ways. First, the Company adjusts its incremental revenue requirement downwards to reflect decommissioning cost savings identified in a more recent decommissioning cost study. Second, rates are adjusted to reflect the Company’s most recent load forecast.

¹ *In re Idaho Power Company*, OPUC Docket No. UE 239, Order No. 12-235 at 3 (Jun. 26, 2012).

² *Id.* at 2.

Staff was concerned with the true-up portion of Advice No. 17-04 and discussed this concern with the Company via telephone. Staff recommended that the Company make a revised filing on less than statutory notice to address Staff's concerns. As discussed below, in order to alleviate Staff's concerns, the Company added language indicating that Schedule 92 is an automatic adjustment clause as defined by ORS 757.210(1)(b) in its May 12, 2017 replacement sheets to its original filing. Staff asked six requests for information in order to verify the basis for the Company's requested rate adjustments.

Request that costs related to the early shut-down of Boardman be recovered pursuant to an Automatic Adjustment Clause:

Staff had two concerns with the Company's originally-filed Schedule 92. First, Staff was concerned that the recovery mechanism allowed for the inclusion of the under or over-collected revenue versus the previous year's forecasted revenue in the following year's rate absent a deferral. Second, Staff is aware that its counsel is undertaking a review of the Commission's legal authority under the deferral statute, and therefore requested a recovery mechanism for Boardman costs that did not utilize a deferral of capital costs. To alleviate Staff's concerns, IPCo agreed to remove the true-up in its replacement sheets filed on May 12, 2017, and requested that costs be collected pursuant to an automatic adjustment clause, adjusted on an annual basis. Collection of early shut-down costs pursuant to an automatic adjustment clause is generally consistent with Portland General Electric's recovery of costs related to the early shut down of its Boardman and Colstrip plants.³

Lowering the Revenue Requirement to Reflect Information in CH2M Hill's New Study:

The Company is tracking costs associated with the early Boardman retirement. In 2015, CH2M Hill performed a new study identifying three decommissioning costs that can be avoided: "(1) elimination of the Carty reservoir removal costs as the site will remain; (2) transmission assets that will not need to be removed; and, (3) the Tower Road extension costs will no longer be incurred."⁴ In order to avoid the necessity of a large rate adjustment near 2020, Staff recommends that rates reflect the most up-to-date information. Removing these three cost components lowered the Oregon-allocated annual incremental revenue requirement by \$2,922.

³ PGE's recovery of accelerated depreciation and return on undepreciated investment in Boardman was originally collected in its Schedule 145, along with decommissioning costs. *In re Portland General Electric*, OPUC Docket No. UE 215, Order No. 10-478 at 4 (Dec. 17, 2010). PGE subsequently included depreciation revenue requirements in its UE 262 general rate proceeding, leaving only decommissioning costs to be collected pursuant to its Schedule 145. See PGE Advice No. 13-22 (UE 281).

⁴ See Idaho Power Company's Advice No. 17-04 initial filing at 2.

Updating Rates to Reflect 2017 Projected Loads:

Schedule 92 rates are updated annually. Rates in last year's filing were set to be recovered over a forecasted 643,871 MWh normalized Oregon jurisdictional sales. Because sales are forecasted to change, rates must be reset. The Company's June 1, 2017 to May 31, 2018 forecast is used to set rates; where:

$$\$102,011 \div 685,937,209 \text{ kWh} = \$0.000149 \text{ per kWh}$$

The annual revenue requirement divided by the total forecasted sales equals the Schedule 92 rate. Staff reviewed the Company's confidential response to Staff IR 7 in order to confirm that the rates were computed correctly.

Conclusion

Staff believes that collection of early shut-down costs for IPCo's share of Boardman pursuant to an automatic adjustment clause is appropriate and consistent with the PGE's recovery of similar costs for its share of Boardman and Colstrip plants. Staff also believes that separately tracking decommissioning revenues and costs will provide transparency and will facilitate the review of changes during the shortened life of the Boardman assets.

The Company has correctly set rates to recover an annual revenue requirement of \$102,011 if loads match forecasts. This filing reduces the Schedule 92 rate from \$0.000150 to \$0.000149 per kWh. Overall rates decrease 0.002 percent.⁵ As the decommissioning date nears and cost estimates become more accurate, the revenue requirement may need to be adjusted again at a future date

The Company has reviewed this memo and has no edits or concerns.

PROPOSED COMMISSION MOTION:

Approve, with less than statutory notice, IPCo's revised Schedule 92, as described in its Advice filing 17-04, and as submitted on May 12, 2017, effective with service rendered on and after June 1, 2017.

⁵ See Idaho Power Company's Advice No. 17-04 replacement sheets filed on May 12, 2017 at 1.